

JOINT MEETING OF FINANCE COMMITTEE AND BOARD OF SELECTMEN

October 20, 2010

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Meeting Date: October 20, 2010

Called to Order: 6:08 PM

Finance Committee Members Present: John Hanold, Andrew Killeen (arrived at 6:35 PM), Michael Naughton, and Lynn Reynolds
Finance Committee called to order at 6:08 PM.

Selectmen Present: Pat Allen (arrived at 6:38), Mark Fairbrother, and Christopher Boutwell arrived at (6:55 PM)

Others Present: Carolyn Olsen (Town Accountant), Jeff Singleton and Marjorie Levenson, (Gill-Montague Regional School Committee), Carl Ladd (Gill-Montague Regional School District Superintendent)

Minutes

Finance Committee Moved:

To approve the minutes of October 6, 2010.

Vote: 3 In Favor 0 Opposed 0 Abstained

Board of Selectmen Moved:

To approve the minutes of October 6, 2010.

Vote: 3 In Favor 0 Opposed 0 Abstained

(Voted at 7:57 PM)

Proposal for Joint Committee for Budget Cutting

Mr. Hanold asked if Mr. Fairbrother had members for the committee in mind. Two have been selected, and he is waiting to hear from someone in the community to accept a position on the committee. Pat Allen and Andrew Killeen have agreed to serve on the committee, but are not representing their respective board and committee.

Mr. Fairbrother views this as a fact-finding group, and noted that if we have to do major budget cuts that involve personnel, there are things we need to know in order to be informed about the ramifications of various options. Mr. Fairbrother hopes the results will never be used.

The committee would periodically report to the Board of Selectmen and Finance Committee. It was noted that the Selectmen prepare the budget, the Finance Committee makes recommendations about that budget, and Town Meeting has the final vote. It was suggested that one of the first things for the committee to look at are which positions are required by statute, and whether one employee can hold multiple positions.

Mr. Fairbrother reiterated that he does not advocate cutting staff. He has no goal or agenda to eliminate some positions or downsize, this is intended to allow us to be as well informed as possible prior to a potential train wreck.

Timeline for Fiscal Year 2012 Budget Cycle

Forecasted date of ATM

- Mr. Hanold asked if the Board of Selectmen had given any thought to whether the Annual Town Meeting would be in May as provided by bylaw, or postponed to June as done in recent years.
- Mr. Fairbrother prefers May.
- There was discussion of when the town would have final state aid information, and Ms. Olsen noted that while the Annual Town Meeting has been postponed to June in recent years, final state revenue information has not been known until July or later.
- Ms. Olsen noted that the Town Clerk will not be available on the first Saturday in June.

“Commencement” memo and Revenue Forecasting

- There was a brief discussion about the timing of the Town Administrator’s annual revenue forecast and budget guideline proposal.
- Mr. Hanold encouraged the Selectboard to have the budget memo go out to departments in early December to give departments adequate time to prepare their budgets.
- Mr. Naughton thinks it would be more useful to stretch the process out, to have Mr. Abbondanzio prepare his forecasts, have this presented to the Finance Committee, and then allow for time for the committee’s input into budget guidelines.
- Mr. Hanold noted that revenue estimates are needed to calculate the 48.5% affordable assessment amount for the Gill-Montague Regional School District and to advise the School Committee promptly of that figure.
- Mr. Naughton asked if, at the November 3rd meeting, Mr. Abbondanzio could provide an estimate on when he expects to have his forecast.

Extent of Departmental Hearings: Communication and Scheduling

- Mr. Hanold suggested limiting department budget hearings to larger departments, departments the Finance Committee has questions for, and those that request a hearing. Mr. Hanold noted that some budgets are quite small and others, such as Veteran’s Benefits, are outside of our influence and he sees no point in spending time having department heads talk to us about things outside our control.
- Mr. Hanold suggested waiting until a few weeks into January to hold hearings, and said that by having fewer hearings we can still finish the budget process in time for a May Annual Town Meeting. Mr. Hanold also noted that last years’ advance questions to departments from the Finance Committee and Board of Selectmen was helpful and timesaving.

Unanticipated Topics

Technical Committee Update

Mr. Naughton provided the committees with the Technical Committee Overview, Compact for Funding Education, Proposed Fiscal Year 2011 Gill-Montague Regional School District Operating Budget and Assessment Calculation, and Revenue and Budget Projections (Table B). The discussion is at the end of the documents.

Technical Committee Overview 10-15-10

The so-called "Technical Committee", composed of Jeff Singleton (School Committee), Mike Naughton (Montague Finance Committee), Carl Ladd (Superintendent) and Tupper Brown (Gill Finance Committee) has now been pretty well finalized a plan, in the form of a "Table B" spreadsheet, showing District expenditures and revenues for the period Fiscal Year 2010 through Fiscal Year 2015, and a "Compact" in which the interested parties are asked to accept Table B as a plan for fiscal stability and pledge to work toward its implementation. The Technical Committee's hope is that the various parties will endorse these documents prior to the upcoming Gill-Montague Regional School District's district meeting on November 18, 2010.

Also attached is a District budget sheet that calculates Fiscal Year 2011 assessments for the towns based on the expenditures and revenues anticipated on Table B.

The Compact is pretty much self explanatory, and the assessment sheet is what it is: the method of calculating assessments based upon a District budget, state aid, other sources of income, and a couple of other items, that is used every year essentially as a matter of state law.

Table B is not principally a projection of what is expected to happen. Rather, it is a plan of what needs to happen to arrive at financial stability in the District, developed with the idea that all participants need to make stretches for this to work. Thus, across the top, you will see that certain levels of growth in state aid and the school budget are specified. Additionally, the plan calls for modest increases also in town funding. The idea is that if everyone will do their part, whether on the funding side or on the District budgeting side, stability can be reached and the burden on the towns will not continue to grow while the District is still properly funded.

On Table B the calculation itself begins with Chapter 70 state aid (\$6,304,363 in Fiscal Year 2010) and goes down to accumulate all the sources of revenue that are pretty fixed and not much within our ability to influence. That for each year (each column) results in a subtotal of revenues. Next are added "Affordable Assessments" and "Additional Town Contributions". The affordable assessments are driven by a Montague calculation based on its projected annual town revenues, a percentage of which it feels can be devoted to the District. The additional town contributions are the increments (called "reserves" in Montague) above the affordable level that will be necessary for a few years to reach a point of stability. Those two numbers added together make up the total District assessment to be divided between the two towns (see discussion of the Fiscal Year 2011 assessment sheet, below).

Next on Table B is an amount of the Gill-Montague Regional School District's Excess and Deficiency to be added to all the above revenues. This is the District's own reserves and is very like the towns' free cash –

what is not spent and is therefore left over from the prior year. Like the reserves used by the towns, the amount of Excess and Deficiency is higher in the early years to help work toward a point of stability, but unlike the town reserves it levels off and continues at a flat rate.

Finally, at the bottom of Table B, total revenues are shown, then the District budget, and then the difference between the two to see how well that year is balanced. Because we are now trying to get to finality for Fiscal Year 2011, we have adjusted the additional town contribution and Excess and Deficiency numbers to reach a zero gap; and for the out years (Fiscal Year 2012 through Fiscal Year 2015) the point of the entire plan is to show something very close to balanced amounts in each of those years, although the math is producing a larger positive "gap" in Fiscal Year 2015, quite far down the road.

The Fiscal Year 2011 assessment sheet: The assessment sheet shows the proposed actual town assessments according to this plan. It is more or less in line with the compromise that was proposed at Montague's August 5th special town meeting.

Compact for Funding Education Gill-Montague Regional School District

This is a Compact made among persons and entities interested in the education of students in the Gill-Montague Regional School District. It has been agreed upon among the persons and entities of interest because the funding of this District has become an unsustainable burden on the member Towns that threatens the quality of the education of their students.

The Parties

This Compact is endorsed and entered into by the State legislators representing the residents of the District; by the Department of Elementary and Secondary Education (DESE); by the member Towns of the District through their respective Selectboards and Finance Committees; by the Gill-Montague Regional School Committee; and by the District administration.

Precepts

The basic precepts underlying this Compact are:

- (a) The children of this District must have the best possible education.
- (b) The funding of public education in Massachusetts is shared among the State and the respective Towns.
- (c) In order to make funding in this District sustainable over the long term, and thus to provide current and future students with

excellence in education, costs must be controlled and revenues must be assured. In particular, growth in District expenditures, both fixed and non-fixed, must be supported by corresponding growth in revenues.

(d) In order to find a path to sustainable financing for the District, a plan has been established that sets forth current and future levels of expenditure by the District and current and future levels of funding by the State and the member Towns. This plan, attached to this Compact, is entitled "Table B" and is intended to set forth a workable balance between necessary District expenditures and corresponding revenues from the State and the member Towns.

(e) In the out years through Fiscal Year 2015, Table B is based upon projections of expenditures and revenues that are both possible and necessary for reaching a state of balanced financing. The parties understand that future events may require modifications to specifics within the plan, but that the overall shape of the plan must be pursued to achieve the goals of this Compact.

The Compact

The parties pledge and agree as follows:

1. Table B is accepted as the long term plan for fiscal stability of the District, and the parties accept its requirements and projections as goals for achieving its purposes.

2. The parties shall each, in its own sphere, work actively to achieve the expenditure and funding levels anticipated in Table B. Specifically:

(a) The Towns commit to allocate available funds to the district according to the formula used in Table B (approximately 3% annual increase in town assessments, supplemented through Fiscal Year 2014 with additional funds).

(b) State legislators and the Department of Elementary and Secondary Education agree that a 3% annual increase in Chapter 70 is needed to stabilize district funding, to be achieved by FY 13. If that level of aid proves to be unrealistic due to reduced State revenues or other factors, State officials will work with the district and member Towns to make the district budget viable with a lesser amount. State officials will consider the policy recommendations of the member Towns as the Chapter 70 program is revisited in the coming months.

(c) The School Committee and District agree to slow the growth of expenditures to keep them in line with projections in Table B (2.5% increase annually beginning in Fiscal Year 2013). If the District believes that it can not fulfill its goals within these projections, it will collaborate with the legislators, the Department of Elementary and Secondary Education and the member Towns to find a solution that does not automatically involve passing the problem on to the member Towns in the form of unaffordable assessments.

3. Recognizing that a multi-year program is always subject to future events, it is agreed that any party may propose changes in the Table B plan if it feels assumptions are no longer viable or core projections are no longer realistic. Proposals will be evaluated by all parties with the goal of reaching consensus on a revision of the long term plan, if necessary.

4. The plan set forth on Table B for Fiscal Year 2012 should be examined by the parties in detail at an early date, modified where necessary and then confirmed as quickly as possible due to the potential for a large revenue-expenditure gap that could undermine the plan in future years.

5. The question of total District expenditures as compared with state norms will be resolved as quickly as possible. Recommendations on whether and how to bring these expenditures in line with state norms will be reviewed and agreed to by all parties and then implemented by the District in collaboration with the Department of Elementary and Secondary Education.

6. The Oversight Group and Technical Panel will continue to meet as necessary to assist with continued collaboration among the parties and with review of the process toward fiscal sustainability.

7. The School Committee, the District and the member Towns agree to consider seriously any proposal for regional consolidation of school districts that is shown to have a positive educational, fiscal and social impact. The Department of Elementary and Secondary Education and the legislators agree that proposals for consolidation will include a specific model for the district including a formal, data-based analysis detailing educational, cost, and social issues.

Approved and agreed to by:

(Lines for signatures by representatives of the Montague Selectboard, Montague Finance Committee, Gill Selectboard, Gill Finance Committee, the Gill-Montague School Committee, the Gill-Montague Regional School District Superintendent, Stanley C. Rosenberg, Stephen Kulik, the New 2nd District Representative, and the Department of Elementary and Secondary Education.

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GILL-MONTAGUE REGIONAL SCHOOL DISTRICT

FY'11 OPERATING BUDGET

Per Table B of October 15, 2010 by Oversight Group

Final Cherry Sheet		GILL-MONTAGUE	MONTAGUE	GILL
School Committee Voted 7/27/10		100%	85.20%	14.80%
TOWN MINIMUM CONTRIBUTION (update)		5,230,945	4,378,670	852,275
Chapter 70 STATE AID (reflecting 4% reduction)		5,936,062	5,057,525	878,537
NSS		11,167,007	9,436,195	1,730,812
FY'11 OPERATING/MAINT BUDGET		16,408,162	-	
LESS: TRANSPORTATION	544,130			
DEBT RETIREMENT	204,449	748,579	3/30/10 Vote	16,537,788
			SFSF Grant	(116,126)
FOUNDATION BUDGET		15,659,583		16,421,662
LESS: STATE AID		5,936,062	Reduce RAN	(13,500)
SUB TOTAL		9,723,521		16,408,162
LESS: OTHER REVENUES				
ERVING TUITION	530,000			
EXCESS & DEFICIENCY	586,596			
CHARTER REIMBURSEMENT	157,482			
INVESTMENTS	20,000			
MEDICAID REIMBURSEMENTS	223,374			
BUILDING USE FEES & OTHER				
REVENUES	-	1,517,452		
SUB TOTAL		8,206,069		
LESS: MINIMUM CONTRIBUTION		5,230,945		
AMOUNT OVER MINIMUM		2,975,124	2,534,806	440,318
				-
TRANSPORTATION		544,130	463,599	80,531
LESS: TRANSPORTATION AID @55%		(180,802)	(154,043)	(26,759)
DEBT RETIREMENT ***		204,449	178,577	25,872
TOTAL OUTSIDE NET SCHOOL SPENDING		567,777	488,132	79,645
MINIMUM CONTRIBUTION		5,230,945	4,378,670	852,275
ABOVE MINIMUM		2,975,124	2,534,806	440,318
OUTSIDE NET SCHOOL SPENDING		567,777	488,132	79,645
FY'11 ASSESSMENT	A	8,773,846	7,401,608	1,372,238
FY'11 Assessment(less debt \$204,449)	B	8,569,397	7,223,031	1,346,366
FY'10 ASSESSMENT	C	8,581,856	7,184,423	1,397,433
FY'10 Assessment(less debt \$204,449)	D	8,377,407	7,005,846	1,371,561
DOLLAR CHANGE(FY11-FY10)A-C	E	191,990	217,185	(25,195)
PERCENT CHANGE(E/C)		2.2%	3.0%	-1.8%

this is 1/2 of certified FY09 E&D

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Table B
Plan for Fiscal Stability dated October 15, 2010

	<u>FY10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
Chapter 70		(4.00%)	2.00%	3.00%	3.00%	3.00%
Transportation						
GMRSD		Level	0.00%	2.50%	2.50%	2.50%
Stabilization*		203,339	85,000	120,000	55,000	0
E & D		586,596	400,000	250,000	200,000	200,000
*total amt	463,339					
Chapter 70 aid	6,304,363	5,936,062	6,054,783	6,236,427	6,423,520	6,616,225
Erving 4% Increase	528,704	530,000	551,200	573,248	596,178	620,025
Charter reimbursement	185,349	157,482	100,000	100,000	100,000	100,000
Build Budgets on \$100,000						
Investments	20,000	20,000	20,000	20,000	20,000	20,000
Medicaid	223,374	223,374	223,000	223,000	223,000	223,000
Fees and Other	10,000	0	10,000	10,000	10,000	10,000
Transportation	181,598	180,802	200,000	230,000	260,000	280,000
(Slow increase to approx 70%)						
Subtotal	7,453,388	7,047,720	7,158,983	7,392,675	7,632,697	7,869,250
Affordable Assessments (No debt)		8,366,058	8,559,588	8,844,563	9,136,587	9,435,835
Additional Town Contributions		203,339	85,000	120,000	55,000	0
Total Revenue Without E and D		15,617,117	15,803,571	16,357,237	16,824,284	17,305,085
Revenue Increase Before E and D			186,455	553,666	467,047	480,801
Excess and Deficiency		586,596	400,000	250,000	200,000	200,000
Total Revenue With E and D		16,203,713	16,203,571	16,607,237	17,024,284	17,505,085
Revenue Increases With E and D			-141	403,666	417,047	480,801
GMRSD Budget (less debt)		16,203,713	16,203,713	16,608,806	17,024,026	17,449,627
Budget Increases			0	405,093	415,220	425,601
Total Gap (Revenue minus Budget)		0	-142	-1,568	258	55,459
Gap between revenue and budget increases			-141	-1,427	1,827	55,200

- Mr. Naughton reviewed the above documents. The Technical Panel is presenting this for consideration of the towns, district, and state officials to see if everyone is willing to do their piece to make this work, recognizing that none of the pieces are easy to do. If everyone is agreeable, the proposed budget and assessment for the GMRSD for Fiscal Year 2011 using the current GMRSD budget and other numbers based on Table B could be voted at the November 18th District Meeting.

- There was general discussion about the items presented. There was concern that the assumptions for state revenue and district budget increases were optimistic.
- Mr. Naughton said that unless we can do something fairly close to this, it's not going to work. The question is whether we want to try or leave state in charge.
- Mr. Naughton thinks that the state would like nothing better than to relinquish financial responsibility for district, and if the agreement doesn't work because of a lack of state funding, the Department of Elementary and Secondary Education knows they'll be back.
- Mr. Ladd stated that the idea is that we all need to be on same page. He's trying to avoid having a constant town versus school issue. The state has a major part and we need to emphasize their role. Success requires good faith effort on all parts.
- Mr. Ladd confirmed that the Department of Elementary and Secondary Education Review Team's review of the Level 4 status of the Gill-Montague Regional School District will use the most current criteria available, not the ones in place when the classification was first made.
- Mr. Hanold sees more escape clauses for the state and district than for the towns.
- Mr. Killeen noted that the Stabilization amount used over the five years is a 50% of Montague's Stabilization Funds over the 5 years. It was clarified that the word Stabilization was a misnomer, and that this amount represents the additional contributions from both towns.
- Ms. Reynolds considers the work done by the Technical Panel to be a miracle.
- Mr. Hanold polled everyone present to see how they felt. Mr. Killeen is on the fence and thinks the projections are rosy. Ms. Allen is prepared to support the Compact. Mr. Boutwell is currently on the fence and leaning towards supporting but wants to see Gill's response and adds that town meeting has the final say on appropriations. Mr. Fairbrother echoes Ms. Reynolds's appreciation of the work done by the Technical Panel. He supports the compact, but echoes the concern regarding the optimistic assumptions. Mr. Hanold is in favor with some reservations as to whether everyone will do their part, but wonders if there's adequate protection for towns, feels that a language change helps this, noted that the agreement is good only as far as long as everyone is in it, and suggested that the assumption that the Compact puts pressure on the state needs to be taken on faith. Mr. Naughton is in favor of the Compact.
- Suggested changes to the Compact:
 - Add a sentence to 2A similar to 2B and 2C to the effect that if Town Meeting and or District Meeting do not vote in favor of the proposed budget, then the towns and school officials will work with state officials to make a new district budget which would be acceptable.
 - Delete Table B Title and rework title of the chart.
 - Change the term "Stabilization" in the Plan for Stability to another more general term.
 - Additional Town Contributions line on Table B should show the separate amounts for each town.
 - Incorporate Gill's changes and concerns.

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List of Documents and Exhibits – none

Next Meetings – November 3rd and 20th. No meeting currently planned for November 24

Tasks for future meetings

November 3, 2010 -get estimate on timing of budget forecast, vote on amended Compact, discuss impact of state election results, prepare list of departments for budget hearings

November 17 - Revisit In-depth Compensation Study

February or March 2011 - Reconsider changes to Board Stipends

Adjourned 8:18 PM

Respectfully Submitted,
Carolyn Olsen